

## SUMMARY OF COVERAGE REQUIREMENTS

### A. Fire and Extended Coverage Section

#### 1. Coverage Extension - Newly Acquired or Constructed Property:

- a. **Buildings** - For coverage to apply to newly acquired or constructed buildings, they must be reported within 30 days after you acquire or begin construction. If after 30 days you have not reported the building to us, then no coverage will be applicable. Once reported, premium will be charged from the actual date you took beneficial occupancy.

NOTE: Should a loss or damage occur to a newly acquired or constructed building that has not been reported, the most we will pay under this extension is \$500,000. Coverage will cease at the end of 30 days if not reported.

- b. **Contents** - Newly acquired contents are automatically covered, but updated values must be reported to us within 180 days after you acquire, for coverage to continue. Coverage provided under this extension is \$500,000 per location. **Once reported, premium will be charged from the actual date you acquired the property.**

#### 2. Building Valuation:

You have the option of purchasing **REPLACEMENT COST COVERAGE** or **ACTUAL CASH VALUE COVERAGE** for your entire schedule of buildings or for individual buildings. *(Please note that the valuation you choose establishes how much you will be paid in the event of a loss and also how much premium you will pay).* You may choose either:

- **REPLACEMENT COST VALUE** – *The cost to replace it today with property of like kind and quality without deduction for depreciation.*
- **ACTUAL CASH VALUE** – *The cost to repair or replace the damaged property with materials of like kind and quality less depreciation of the damaged property.*

You can change the valuation you have chosen at any time simply by notifying our office in writing or requesting an **Evaluation Report**.

#### 3. Reporting Requirements:

When requesting coverage please provide the following:

- a. **Buildings** - New locations should be reported by completing a **Request for Property Insurance Form**. You will provide the initial value of the building until an appraisal can be conducted.
- b. **Contents** - Individually itemized schedules are not required for reporting contents values for coverage, with the exception of Fine Arts. Only the **total value for each insured location is required to be reported for coverage to be in effect**. You must also complete the "Request for Property Insurance Form" for new locations. *(A reminder that reporting the value of contents is the responsibility of the Certificate holder).*

**NOTE:** At the time of loss, there may be a coinsurance penalty applied in the event the amount of insurance in force is less than the actual cash value of your actual inventory. A schedule of contents taken from your inventory records may be required to validate the reported values.

- 4. **Credit for Fire Protection Equipment:** Buildings that contain sprinkler systems that cover at least 90% of total occupancy receive a credit on fire rates only if the system is properly maintained. Finance and Administration Cabinet has a sprinkler system inspection contract in place for all buildings owned by the Commonwealth. This contract

is currently with **Simplex Grinnell Fire Protection Systems Company**. Inspections are available for both wet and dry systems and are performed once a year unless otherwise required by state law.

In order to be added to the inspection list, you will need to send your request to the Finance and Administration Cabinet in writing. The request should include the location of the building and the name of the person the inspector should contact. This information should be forwarded to:

Mr. Jim Nordmann (564-3590 ext. 274)  
Finance and Administration Cabinet  
702 Capitol Avenue  
Rm. T-34, New Capitol Annex  
Frankfort, Kentucky 40601

**B. Inland Marine Coverage Section (Permanent)**

This section provides all-risks floater coverage for personal property wherever the items may be located within the covered territory, including while being transported. Coverage is written on a **scheduled basis only**. A list containing a description of each item, value of that item, serial number, and tag number, must be on file with our office in order for coverage to apply.

If you acquire additional personal property of a type already covered under this form, we will automatically cover such property for 180 days up to a \$500,000 limit. You must report new acquisitions, submit the supporting schedules, and provide values within the 180 days for coverage to continue. **Once reported, premium will be charged from the actual date you acquired the property.**

**C. Inland Marine Endorsement Section (Temporary)**

Temporary/short-term inland marine coverage may be purchased under this endorsement section. Coverage is provided for items on exhibit, in transit, on temporary loan, etc. Coverage must be requested in advance of the event, schedules and values provided, and appropriate premium paid in order for coverage to apply.

**D. Telephone Coverage Section**

Telecommunications is responsible for reporting new phone systems they assisted with the purchase. However, a close review of your schedule is advised to ensure that the systems shown in the telephone section of your Certificate stays current. Any discrepancies should be reported immediately and are the responsibility of the insured. (Please note: Telephone systems that are not specifically described on the telephone declarations page of your Certificate are not covered).

**E. Electronic Data Processing Coverage Section**

Coverage for computer hardware and software is provided on a **scheduled basis only**. A list containing a description of each item, value of that item, serial number, and tag number, must be on file with our office in order for coverage to apply. If you acquire additional equipment of a type already covered under this form, we will automatically cover such property for 180 days up to a \$500,000 limit. You must report new acquisitions, submit the supporting schedules, and provide values within the 180 days for coverage to continue. **Once reported, premium will be charged from the actual date you acquired the property.**

**F. Business Income & Extra Expense Coverage Section**

This section provides insurance for loss of income suffered by an agency as a result of not being able to use property damaged by a covered cause of loss, during the time required to repair or replace it. If you have this type of exposure, please contact our office. Coverage is based on current and projected revenue statements.

**G. Exclusion of Certain Computer-Related Losses Endorsement**

This endorsement changes your coverage; please read it carefully. Under this endorsement, no coverage is provided unless otherwise noted in your coverage forms for the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.

#### H. Coinsurance Clause

A reminder, this certificate contains a Coinsurance Clause, which allows the Fund to apply a penalty at the time of loss if the amount of insurance in force is less than the actual valuation of your total inventory.

#### I. Credits and Debits Program

1. Credits and Debits will be assessed for all coverages using the following criteria with the exception of the Electronic Data Processing Coverage Section and the Business Income and Extra Expense Section:
  - a. Annual premium must be at least \$500 to be eligible for a credit.
  - b. Credits may be removed or debits applied to premiums for insureds that fail to comply with underwriting recommendations/requirements.
  - c. Losses attributable to natural disasters will be capped at \$500,000 for purposes of determining credits/debits.
  - d. A debit may apply when an insured's loss ratio exceeds 75% for preventable losses.

Credits	Loss Ratio	Debits
35%	0-30	
30%	31-40	
25%	41-50	
20%	51-65	
0%	66-75	0%
	76-80	20%
	81-90	25%
	91+	35%

2. Electronic Data Processing Coverage Section - Should your loss ratio exceed 65%, you could experience a 20% but not more than 35% increase. Premium calculations will be based on your actual loss experience and calculated using the following scale:

Loss Ratio	Debits
0-30	
31-40	
41-50	
51-65	
66-75	0%
76-80	20%
81-90	25%
91+	35%